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~~SECRET~~ CONFIDENTIAL

Director of Training

10 November 1955

Acting Director of Security

Contract Services

1. Reference is made to your memorandum of 25 October 1955 concerning the use of contractual services to replace work performed by certain of the present employees [ ]

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2. Considering the nature of the work performed [ ] its sensitivity and classification, staff employees offer the greatest degree of security. They, alone, should be used where close and continuous access to highly classified information or training is required [ ]

25X1

3. Persons who are employed in a service [ ] such as those mentioned in your paragraph 2, could be hired on a personal service contract for a specified purpose. However, controls must then be established so that access to classified information, either by purpose or by the nature of the work, is strictly limited.

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4. The letting of an overall contract to a concern for general services, such as maintenance, is not viewed favorably. The difficulty of controlling the daily flow of different workers, the problems of clearance involved in this category of personnel with its large turnover and the problem of maintaining good cover, makes this type of arrangement highly undesirable from a security viewpoint.

5. In view of the many security problems involved, it would be appreciated if you would discuss with us any final plans you may propose with regard to the utilization of contract services [ ]

SIGNED

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Class. CHANGED TO: TS S (C)

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 14/3/78 By: [ ]~~SECRET~~ CONFIDENTIAL

c. The Director of Security, after considering the factors involved, has stated that the contract system is "highly undesirable from a security viewpoint". A copy of his memorandum is attached.

3. **CONCLUSION:**

a. The advantages which would accrue to the Agency under the contract system are:

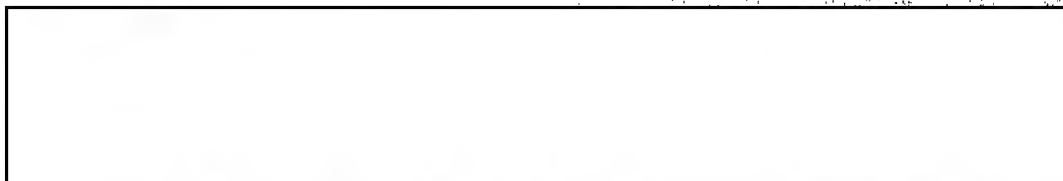
(1) The contract system would be consistent with the policy of the present administration to get the government out of activities which could be operated by private enterprise.

(2) Contract procedure would reduce the Agency T/O of staff employees.

(3) The Agency would be relieved of the responsibility for personnel administration of positions under contract.

b. The disadvantages and problems which can be foreseen under the contract system are:

(1) Since many of the incumbents in these positions left higher paying, but less secure jobs, because of the attraction of full-time employment and Civil Service benefits, the conversion may precipitate serious repercussions in the form of grievances and appeals through official channels with consequent security problems.



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(3) The contract procedure could result in reduced supervisory control of employees, and, therefore, reduced control of support activities.

(4) The contract procedure would create problems of clearances of prospective contractors under the open bid procedure, or raise suspicions and investigations under the negotiated bid procedure -- especially if a pattern of contract with former employees were established.

(5) The contract system probably will be more expensive. The contractor will have to provide for profit, salary increases in the case of skilled labor, employee insurance, etc. The contract costs will include certain items that are built into the present appointment system or do not exist under the system, such as profit, higher union salary scales, and employee insurance.

(6) A number of problems would result from the security and clearance requirements which would be placed on the contractor; e.g., explanation of delays in clearance, firings for reasons which could not be explained to the employee or the contractor.

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**h. CONCLUSIONS:**

The Office of Training believes that the problems and disadvantages anticipated under the contract system outweigh the advantages to be gained.

**i. ACTION RECOMMENDED:**

SIGNED

  
Acting Director of Training

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ATTN:

Memorandum of 10 November 1955 to Director of Training  
from Acting Director of Security

CONCURRENCES:

25X1                       
Director of Security

13 April 1956  
Date

25X1                       
Director of Personnel

19 April 1956  
Date

ACTION BY APPROVING AUTHORITY:

APPROVED:

\* In approving this staff study I of course recognize the problems inherent in changing to contract. However, I am still not sure that the importance to the Agency of keeping our members down, particularly in this type and level of employee, may not some day outweigh the risks involved. We may well want to examine the matter again at some future date. /s/ LKW

9 June 1956

Date

/s/ L. K. White \*

Deputy Director (Support)

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25X1 Admin/TE              13 April 1956